Mammoth Mart, Inc.

SELF SERVICE DISCOUNT DEPARTMENT STORES

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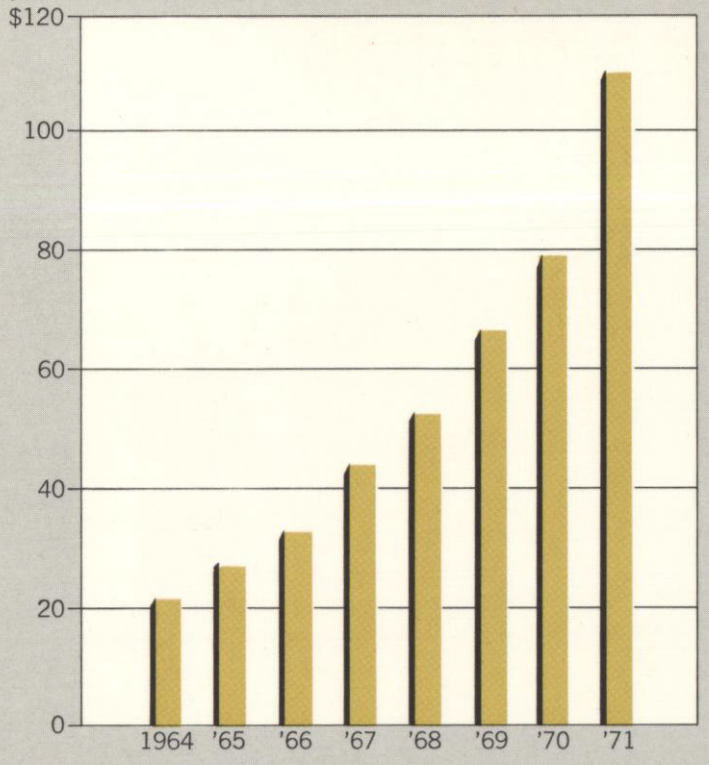
ANNUAL REPORT

FOR THE YEAR ENDED JANUARY 30, 1971

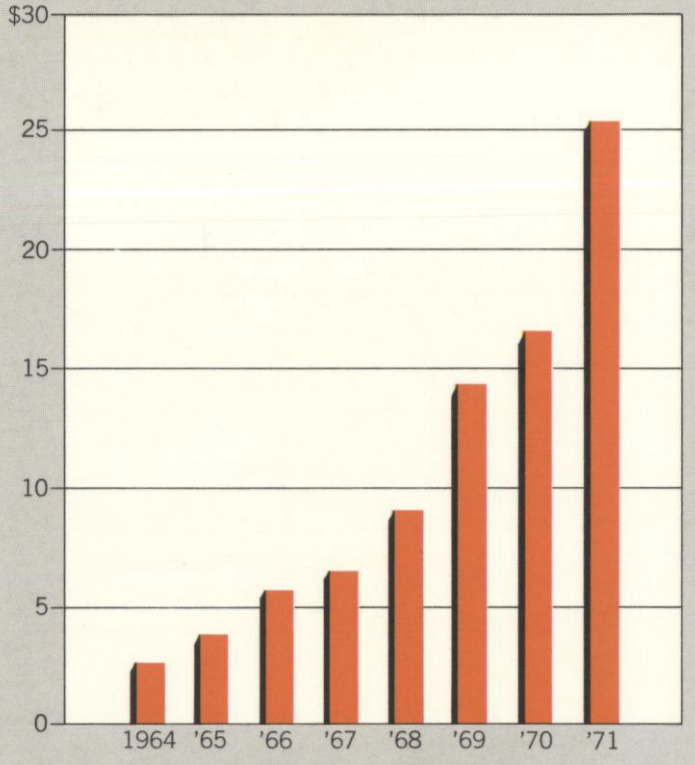
TOTAL SALES

(IN MILLIONS OF DOLLARS)



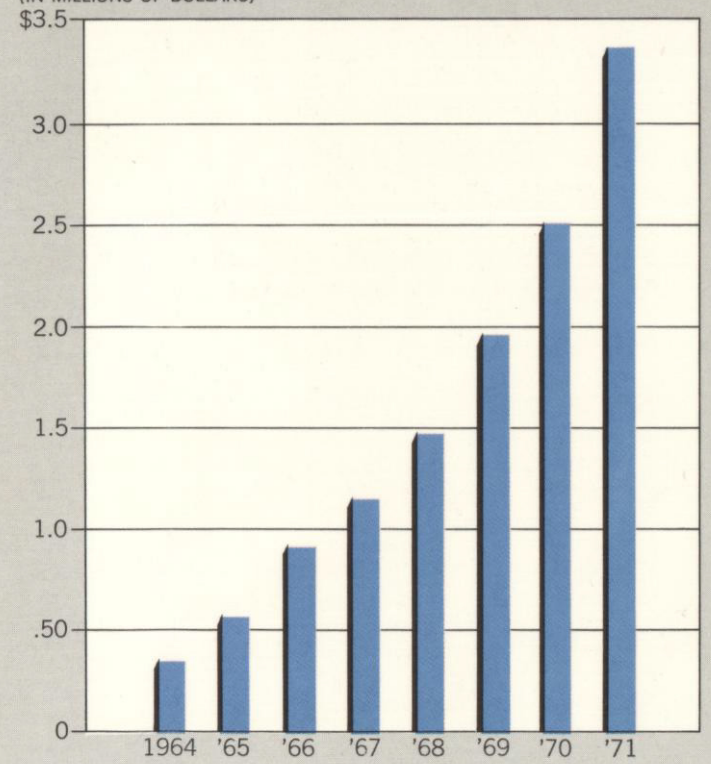
CURRENT ASSETS

(IN MILLIONS OF DOLLARS)

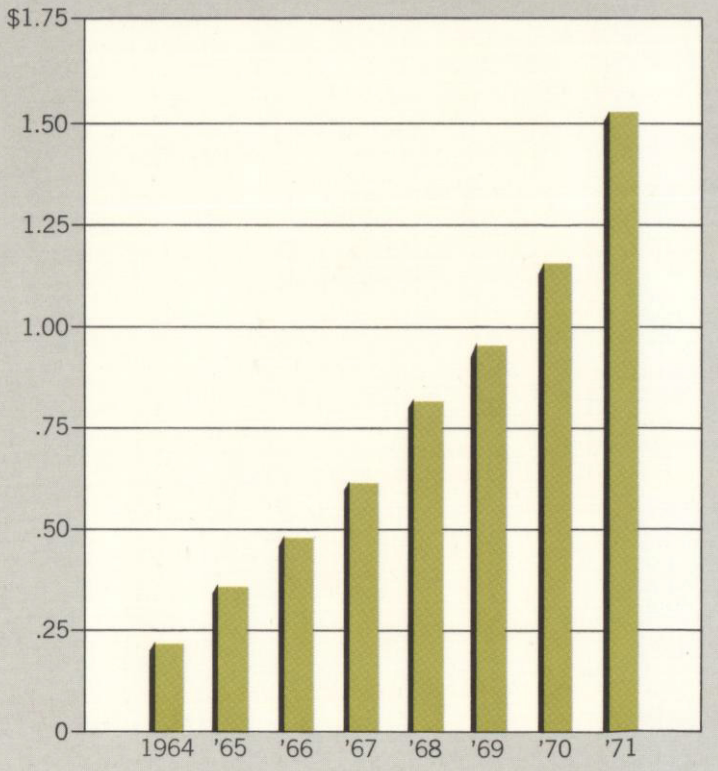


NET EARNINGS

(IN MILLIONS OF DOLLARS)



PRIMARY EARNINGS PER SHARE



Mammoth Mart, Inc.

FINANCIAL HIGHLIGHTS

	For the Year Ended January 30, 1971	January 31, 1970
Total Sales	$110,316,019	$79,929,843
Earnings Before Federal Income Taxes	$6,365,031	$4,556,116
Net Earnings (based on average shares outstanding during year)	$3,396,031	$2,511,116
Primary	$1.53	$1.16
Fully Diluted	$1.51	$1.16
Net Earnings as a Percent of Net Sales	3.2%	3.3%
Total Assets	$35,358,621	$22,984,384
Working Capital	$13,318,610	$8,882,298
Stockholders' Equity	$18,772,974	$12,166,638
Cash Dividends Paid	$616,128	$536,793
Current Ratio	2.1 to 1	2.2 to 1

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REPORT OF THE CHAIRMAN AND PRESIDENT

Max Coffman
Chairman of The Board, President

Dear Shareholder:

1970 was a landmark year for Mammoth Mart. It was a special year in that we generated the highest sales and earnings in our history for the shareholders. It was a special year in that it marked the completion of our first five-year plan, which had projected the attainment of one hundred million dollars in annual sales by the end of that period (as the financial results show, we exceeded that total by almost ten million dollars!). It was a special year because, for the first time, we expanded our operations beyond the basic full-line, self-service discount department store by acquiring a chain of juvenile merchandise stores.

Our financial results speak for themselves. Total volume for the year was $110.3 million, up 38 percent from $79.9 million a year earlier. Net income after tax provisions totaled $3.4 million, equal to $1.51 a share on a fully diluted basis. In the preceding year, our net income after tax provisions was $2.5 million, equal to $1.16 a share. Adjusting for the 3 for 2 stock split to be paid in May, 1971, per-share earnings were $1.02 in 1970 and 77 cents in 1969.

Contributing to our results in the year just ended were the operations of 43 discount department stores, as well as 8 juvenile merchandise stores, for a total of 51 units. In the 1969 period there were 35 discount stores in operation. Our volume and earnings last year were augmented by the juvenile merchandise chain acquisition, the purchase of two "Key" discount department stores, and the addition of six new Mammoth Mart units. We expect that during 1971 we will add from six to eight discount department stores, and from two to four of the juvenile merchandise units.

Mammoth Mart today is a major retailing force in its traditional New England marketing areas, and it is becoming a major factor in the newer areas in which it is operating (shown on the map on page 4). Our second five-year plan, projected from this strong retailing base, is aiming at a volume target of a quarter-of-a-billion dollars by the end of 1975, to be achieved through internal expansion. It envisages a further extension into the southeastern Atlantic states, as well as moves into New York State, Pennsylvania, and possibly further west.

These kinds of long-range projections do not include specific acquisitions (such as the juvenile merchandise stores last year, or the two "Key" stores which we acquired in late summer and which are now Mammoth Mart units). However, it would be less than realistic for you to assume that we will make no more acquisitions. On the contrary, we have learned that the strong merchandising, operating, distribution and control techniques which we have developed at Mammoth Mart do have broader application potentials, and we are most receptive to the idea of acquiring other retail units whose association with us would prove mutually beneficial.

We think that one of the major management requirements for success in our times is flexibility—the ability to adapt quickly to changing business and economic conditions. We believe that your management has that flexibility, and that it was demonstrated repeatedly last year. In a positive sense, the acquisitions we made last year reflect this—these were the first such moves in our history, and they have already proven their worth. In another sense we also demonstrated flexibility: we decided to

forego for the time being the construction of the small "mini-marts" about which we commented in the 1969 annual report. The principal reason for this was the very rapid rise in construction costs last year. Our store opening plans for 1971 still do not include mini-marts, but their potential still appeals to us, and we are reviewing the concept on a continuing basis.

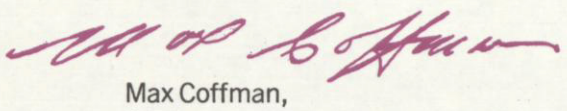
In a financial sense, we also moved quickly last year. Our financial condition throughout the year was excellent. Anticipating a need for cash for expansion, we turned to the stock market for an equity financing, which took place late in November, 1970. We sold 150,000 shares of previously-unissued common stock to the public (68,000 shares of previously-issued stock were also sold). The proceeds from the sale of the 150,000 shares provided us with the capital required to complete our 1971 new-store opening program, and for other corporate purposes. We are now well into the planning for our 1972 expansion program. The form of additional financing for this purpose, as required, will be decided on further into the year.

Looking back on 1970, it seems clear that nationally there was great pressure on the economy. Because we were concentrated in the northeastern part of the country, we were spared some of that pressure. But, it would be wrong to assume that our good results for last year occurred simply because the areas in which we operate were hit less hard by the national recession. In addition to management flexibility, we made numerous specific merchandising and operating decisions throughout the year, designed to keep volume and profits at peak levels, and we continued to exercise careful control of all corporate activities throughout the company. As only one example of management control, our pilferage rate has consistently been among the lowest in the industry.

We enter 1971 in a different economic climate than faced us last year. Then we were in a tight and expansive money-squeeze situation, with the economy trending downward. Today, after one of the most extensive and rapid reversals of fiscal and credit policies ever seen in this country, money is available, and is relatively inexpensive. This should have a beneficial impact on the economy, and the national Administration has made it clear that they look to consumer spending as one of the coming bulwarks for economic activity in this country.

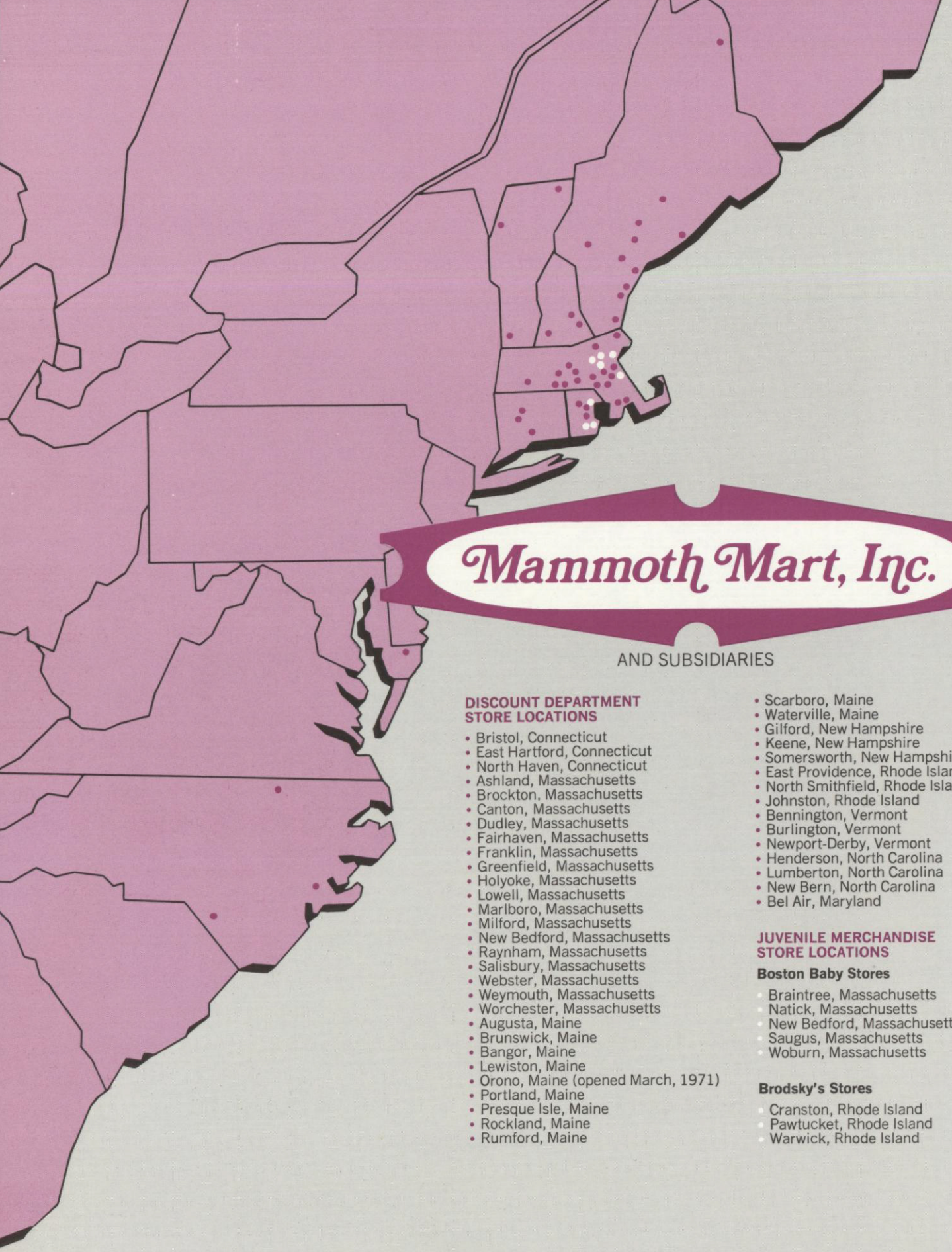
With government policy now aimed at creating confidence in the business community, with money costs and availability easing, and with your company geared to participate in many of the benefits which should accrue from this type of program, it is hard not to be optimistic about our prospects for the current year, and I look forward to reporting to you on our results as the year progresses.

Cordially,



Max Coffman,
Chairman and President

April 23, 1971



Mammoth Mart, Inc.

AND SUBSIDIARIES

DISCOUNT DEPARTMENT STORE LOCATIONS

- Bristol, Connecticut
- East Hartford, Connecticut
- North Haven, Connecticut
- Ashland, Massachusetts
- Brockton, Massachusetts
- Canton, Massachusetts
- Dudley, Massachusetts
- Fairhaven, Massachusetts
- Franklin, Massachusetts
- Greenfield, Massachusetts
- Holyoke, Massachusetts
- Lowell, Massachusetts
- Marlboro, Massachusetts
- Milford, Massachusetts
- New Bedford, Massachusetts
- Raynham, Massachusetts
- Salisbury, Massachusetts
- Webster, Massachusetts
- Weymouth, Massachusetts
- Worchester, Massachusetts
- Augusta, Maine
- Brunswick, Maine
- Bangor, Maine
- Lewiston, Maine
- Orono, Maine (opened March, 1971)
- Portland, Maine
- Presque Isle, Maine
- Rockland, Maine
- Rumford, Maine
- Scarboro, Maine
- Waterville, Maine
- Gilford, New Hampshire
- Keene, New Hampshire
- Somersworth, New Hampshire
- East Providence, Rhode Island
- North Smithfield, Rhode Island
- Johnston, Rhode Island
- Bennington, Vermont
- Burlington, Vermont
- Newport-Derby, Vermont
- Henderson, North Carolina
- Lumberton, North Carolina
- New Bern, North Carolina
- Bel Air, Maryland

JUVENILE MERCHANDISE STORE LOCATIONS

Boston Baby Stores

- Braintree, Massachusetts
- Natick, Massachusetts
- New Bedford, Massachusetts
- Saugus, Massachusetts
- Woburn, Massachusetts

Brodsky's Stores

- Cranston, Rhode Island
- Pawtucket, Rhode Island
- Warwick, Rhode Island

1970—A LANDMARK YEAR

1970 was a year of accomplishment for Mammoth Mart. In a period of national economic stress and uncertainty, Mammoth Mart personnel made a concentrated effort, which culminated in record volume and profits for the company.

During the year two major steps were taken which had the effect of broadening our operating base. The first of these, which was completed in March, 1970, was the purchase of what is now Mammoth Mart's juvenile merchandise division (Boston Baby and Brodsky's stores). This was the first time in our history that we added retail outlets by purchasing them. It was also the first time that we moved outside our traditional area of full-line discount merchandising: the juvenile merchandise stores concentrate on juvenile furniture and equipment, sporting goods, and toys in an area about 40% of the size of a typical Mammoth Mart store.

We are in process of building a new 100,000 square foot distribution center in Brockton, Massachusetts, to handle our existing volume of business in our juvenile merchandise division, while at the same time providing the capability for handling in a highly efficient manner the much greater volume we forsee for this operation.

In October, we purchased two "Key" discount stores, located in Milford and Webster, Massachusetts. This represented a new move for us since we had not previously added to our chain by purchasing existing full-line discount department stores. The two "Key" units, refurbished and restocked, are now functioning effectively as Mammoth Mart units, and they made a good contribution to our operating results in the period from the time of acquisition.

In addition to these "external" moves, during 1970 we opened six new Mammoth Marts, located in Augusta and Portland, Maine; Holyoke, Lowell and New Bedford, Massachusetts; and Derby, Vermont. We also opened two juvenile merchandise stores, in Warwick, Rhode Island and New Bedford, Massachusetts. This brought the total units in operation at year-end to 51, comprised of 43 Mammoth Marts and eight juvenile merchandise stores.

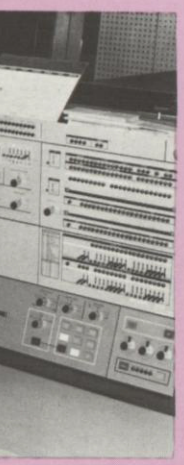
We now have approximately 2,750,000 square feet of space in the company, including 2.6 million square feet in the Mammoth Mart division and approximately 150,000 square feet in the juvenile merchandise group. Included in this total are about 480,000 square feet of space added to the Mammoth Mart division in 1970, as well as approximately 50,000 square feet added to the juvenile merchandise division in the year just ended.

Mammoth Mart, Inc.

This is a typical Mammoth Mart discount department store, and shows the vast array of goods available to Mammoth Mart customers. Behind this panorama are large numbers of merchandising specialists and other service people, through whose efforts the goods are purchased, delivered and made ready for the customers' inspection.

A Merchandisers Meeting—appraising goods before making purchase commitments. This is where a specialist's creative ability to anticipate the needs of our customers is put to the test.

Mammoth Mart's data processing center, where product information is input for control throughout the selling cycle. The center is involved from the initial order, through delivery to a store, through inventory control while in the store and finally, to enable replenishment of inventory at the proper time.



The delivery sector of a Mammoth Mart store. Here, the receiving clerk verifies a delivery against the EDP-prepared receiving report before accepting delivery.

After a shipment is accepted at the delivery entrance, a ticketing clerk price-tickets each item before it moves to the selling floor.

PERSONNEL

Underlying the effectiveness of any business organization is the effectiveness of its personnel. During 1970 Mammoth Mart people demonstrated once again that this organization has within its ranks one of the finest merchandising, operations, and distribution groups available anywhere.

To further hone its talents and capabilities, Mammoth Mart regularly provides in-depth training for all of its personnel. In 1970, many pre-existing programs were formalized in a number of highly effective ways.

On a store level, we implemented a new formal training program utilizing newly-created manuals and interaction with a task force composed of the best operating, merchandising, and control people in the company.

To aid our merchandise managers and buyers in their future planning, we held a series of seminars with many of our suppliers, providing our people with an overall orientation toward the specific products which will be becoming available to them in coming months.

On still another level, at the end of the year we inaugurated a planning seminar for senior personnel, designed to provide them with a broader exposure to overall

Apparel plays an important role in each Mammoth Mart store. This typical view gives an indication of the extent of the floor space allotted to clothing in our stores.

The last step for the customer—checkout. Mammoth Mart pays particular attention to this aspect of store operations. Our aim is to have efficient, rapid service at the checkout counter, so that the customer remembers our courteous, attentive people, who are always alert to his requirements.

Reviewing the computer read-out. Senior managament reviews the activities of the entire chain, available to them promptly on a store-by-store basis for direct control purposes.

planning concepts, economic projections, and a clearer overview of the company than they had previously. Addressing the seminar were some of the consultants and specialists we call on from time to time, and their professional presentations to already knowledgeable people added much to our overall capabilities.

In the area of controls, we have long felt that the application of data processing techniques ought not to be considered a separate, esoteric art in this company. As a result, data processing orientation seminars are being held regularly with all levels of management, designed to provide knowledgeable insight into the services and skills which can be made available throughout the organization.

FINANCIAL COMMENTS

Our financial condition at year-end was excellent. Working capital was $13.3 million, including $2.9 million of cash and equivalents, and our current ratio was 2.1 to 1. Our cash position reflected the sale in November, 1970 of 150,000 shares of common stock. These funds were designated for new store additions, acquisitions, and other corporate purposes.

As the financial statements show, inventory at $21.7 million was up relative to the $14.4 million one year earlier. The increase reflects in part the substantially broadened operating base of the company (51 units at year-end as against 35 at the end of 1969), in part an increased commitment to import goods, and in part the anticipation of a good pick-up in demand in 1971. At the time of this writing, that expected pick-up in demand has manifested itself, and we are pleased to report that the wisdom of supplying ample inventories for first quarter business has already become apparent to us.

It had been our policy, in the recent past, to write off over a 12-month period the pre-opening costs of new stores. Starting with the current year, that policy has been modified; we now write off these costs in their entirety in the year in which they are incurred.

During 1970 the Board of Directors declared four quarterly dividends on common stock of 7 cents per share each. Subsequent to the close of the year, the Board authorized a 3-for-2 split of the outstanding common shares, to become effective in May, 1971. The Board also approved a new rate of dividend payout of 22 cents per share, to become effective with the dividend distribution due on August 1, 1971. This new rate of payout represents an effective increase of approximately 18% over the previous rate (from 28 cents a share to 33 cents on a pre-split basis), and is a reflection of management's belief that the stockholders should share directly in the improving fortunes of the business.

Just as, at the start of 1970, money market conditions were tight and expensive, so at the present time is money relatively inexpensive and not difficult to come by. While our short-term needs were provided for by the financing late last year, we are currently in the process of formulating some long-range plans. In connection with these we are also considering long-range financing requirements, which we may anticipate in view of the current favorable climate. We will keep you informed of developments in this connection.

Mammoth Mart, Inc. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS

	YEAR ENDED JANUARY 30, 1971	JANUARY 31, 1970
Sales (including concessionaires)	$110,316,019	$79,929,843
Less concessionaires' sales	4,065,002	3,076,278
Sales (owned departments)	106,251,017	76,853,565
Gross rentals from concessionaires	317,590	232,043
Other income	194,195	223,111
	106,762,802	77,308,719
Costs and expenses:		
Cost of merchandise sold, buying and occupancy expenses	77,094,107	56,110,971
Selling, general and administrative expenses	22,049,981	15,819,847
Depreciation and amortization (Note C)	846,638	604,642
Interest	407,045	217,143
	100,397,771	72,752,603
EARNINGS BEFORE FEDERAL INCOME TAXES	6,365,031	4,556,116
Federal income taxes:		
Current	2,929,119	1,903,497
Deferred	39,881	141,503
	2,969,000	2,045,000
NET EARNINGS	$ 3,396,031	$ 2,511,116
Earnings per common share and common equivalent share (Note H)	$1.53	$1.16
Earnings per common share—assuming full dilution (Note H)	$1.51	$1.16

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

	YEAR ENDED JANUARY 30, 1971	JANUARY 31, 1970
SOURCE OF FUNDS		
From operations:		
Net earnings	$ 3,396,031	$2,511,116
Depreciation and amortization of property and equipment	846,638	604,642
Amortization of store opening costs	127,406	123,917
Amortization of deferred compensation	72,804	39,047
Provision for deferred federal income taxes	39,881	141,503
TOTAL FROM OPERATIONS	4,482,760	3,420,225
Net proceeds from sales of Common Stock	3,753,629	127,416
Long-term debt issued for subsidiaries acquired during the year	1,995,000	—
Increase in long-term debt	146,210	712,410
Decrease in other assets	101,651	—
	$10,479,250	$4,260,051
APPLICATION OF FUNDS		
Additions to property and equipment, less disposals	$ 2,697,834	$2,926,658
Book value of property and equipment of subsidiaries acquired during the year	235,772	—
Excess of cost of investments in subsidiaries over carrying amount of net assets acquired	1,613,106	—
Increase in current portion and payments of long-term debt	880,098	202,382
Cash dividends declared	616,128	536,793
Store opening costs deferred	—	203,671
Increase in other assets	—	90,589
Increase in working capital	4,436,312	299,958
	$10,479,250	$4,260,051

The accompanying notes are an integral part of the consolidated financial statements.
Certain amounts in 1970 have been reclassified to permit comparison.

Mammoth Mart, Inc. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS	YEAR ENDED JANUARY 30, 1971	JANUARY 31, 1970
CURRENT ASSETS		
Cash	$ 2,748,733	$ 582,751
Short-term investments—at cost (approximates market)	200,583	699,290
Accounts receivable	376,560	286,272
Construction advances	—	414,261
Merchandise inventories—at the lower of cost or market as determined by the retail inventory method	21,719,155	14,439,431
Prepaid expenses and advances to suppliers	417,487	137,293
TOTAL CURRENT ASSETS	25,462,518	16,559,298
PROPERTY AND EQUIPMENT—on the basis of cost (Notes B and C)		
Land	79,201	79,201
Buildings and improvements	1,704,449	913,503
Fixtures and equipment	8,744,015	6,554,595
Leasehold improvements	560,322	399,098
	11,087,987	7,946,397
Less allowances for depreciation and amortization	3,098,090	2,043,468
	7,989,897	5,902,929
EXCESS OF COST OF INVESTMENTS IN SUBSIDIARIES OVER NET ASSETS ACQUIRED (Note A)	1,613,106	—
UNAMORTIZED STORE OPENING COSTS (Note D)	—	127,406
OTHER ASSETS	293,100	394,751
	$35,358,621	$22,984,384

LIABILITIES AND STOCKHOLDERS' EQUITY

	YEAR ENDED JANUARY 30, 1971	JANUARY 31, 1970
CURRENT LIABILITIES		
Notes payable to banks	$ 195,250	$ 379,000
Trade accounts payable	7,289,975	4,643,501
Accrued payroll and other expenses	1,024,549	567,264
Taxes, other than federal income taxes	574,420	337,888
Dividend payable	161,350	143,015
Federal income taxes	2,017,312	1,403,950
Current portion of long-term debt	881,052	202,382
TOTAL CURRENT LIABILITIES	12,143,908	7,677,000
LONG-TERM DEBT, less current portion (Notes A and B)	3,971,140	2,710,028
DEFERRED FEDERAL INCOME TAXES	470,599	430,718
STOCKHOLDERS' EQUITY (Notes B, E, and F)		
Preferred Stock, par value $1 a share: Authorized 500,000 shares; issued—none		
Common Stock, par value $1 a share: Authorized 4,000,000 shares; issued 2,304,737 shares (2,043,077 in 1970)	2,304,737	2,043,077
Additional paid-in capital	9,269,551	3,531,659
Retained earnings	7,610,148	7,021,418
	19,184,436	12,596,154
Less unamortized deferred compensation	411,462	429,516
	18,772,974	12,166,638
LONG-TERM LEASE COMMITMENTS (Note G)		
	$35,358,621	$22,984,384

The accompanying notes are an integral part of the consolidated financial statements.
Certain amounts in 1970 have been reclassified to permit comparison.

Mammoth Mart, Inc. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

	CLASS B COMMON STOCK ($1 PAR VALUE)	COMMON STOCK ($1 PAR VALUE)	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at February 2, 1969	$106,220	$ 887,728	$3,984,809	$5,047,095
Conversion of Class B Common Stock	(106,220)	106,220	—	—
Proceeds from exercise of stock options	—	28,514	81,787	—
Issued under Executive Incentive Stock Purchase Plan	—	25,500	468,562	—
Par value of 995,115 shares of Common Stock issued in connection with 2-for-1 stock split	—	995,115	(995,115)	—
Net earnings	—	—	—	2,511,116
Cash dividends on Common Stock—$.26 a share	—	—	—	(536,793)
Sundry charges	—	—	(8,384)	—
Balance at January 31, 1970	$ —	2,043,077	3,531,659	7,021,418
Net proceeds from sale of Common Stock		150,000	3,552,307	—
Proceeds from exercise of stock options		6,745	41,577	—
Issued under Executive Incentive Stock Purchase Plan		3,000	54,750	—
Net earnings		—	—	3,396,031
Cash dividends on Common Stock—$.28 a share		—	—	(616,128)
5% stock dividend on Common Stock		101,915	2,089,258	(2,191,173)
Balance at January 30,1971		$2,304,737	$9,269,551	$7,610,148

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 30, 1971

NOTE A—PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Mammoth Mart, Inc. and all of its subsidiaries, each of which is wholly owned. All intercompany accounts and transactions have been eliminated upon consolidation.

On March 2, 1970, the Company purchased all of the outstanding capital stock of Bender's, Inc. for cash and $1,560,000 5¾% Convertible Notes. The notes mature in three annual installments of $520,000 commencing February 15, 1971; at the options of the holders, each note may be converted at its maturity date into 23,739 shares of Common Stock.

On September 22, 1970, the Company purchased all of the outstanding capital stock of Key Stores, Inc. for cash and $435,000 notes payable.

These transactions have been accounted for as purchases; accordingly, the consolidated financial statements include the acquired companies' results of operations from their respective dates of acquisition. The excess of purchase price over the carrying amounts of the net assets acquired has been included in the accompanying balance sheet; management has no present intention to amortize such excess acquisition costs.

NOTE B—LONG-TERM DEBT

Long-term debt was comprised of the following at January 30, 1971:

6¼% Note payable to insurance company due in annual installments of $180,000 through 1981 and $220,000 in 1982	$2,020,000
5¾% Convertible Notes payable to trusts due in annual installments of $520,000 through 1973 (Note A)	1,560,000
6½% Mortgage note payable to bank, property with a net carrying value of $761,514 at January 30, 1971 mortgaged, due in aggregate annual payments, including interest, of $67,104 through 1987	690,982
Note payable at the prevailing prime interest rate, due in three annual installments of $145,000 through 1973	435,000
6½% Note payable to bank, due in aggregate annual payments, including interest, of $22,800 through 1980	146,210
	$4,852,192
Less current portion	881,052
	$3,971,140

The note agreement with the insurance company contains, among other things, limitations and restrictions as to indebtedness, lease rentals, total liabilities, working capital, and cash dividends. At January 30, 1971, under the most restrictive of the provisions, $4,264,000 of consolidated retained earnings were not restricted as to payments of cash dividends.

NOTE C—DEPRECIATION AND AMORTIZATION

Provisions for depreciation and amortization of property and equipment have been computed principally by the straight-line method.

NOTE D—UNAMORTIZED STORE OPENING COSTS

During the year ended January 30, 1971, the Company changed its method of accounting for store opening costs from a deferred and amortization period of twelve months to a policy of expensing all such preopening costs as incurred. As a result of this change, net earnings in 1971 were decreased by approximately $60,000 or a decrease in earnings of approximately $.03 per share.

NOTE E—STOCK OPTION PLAN

The Company has a plan pursuant to which stock options may be granted to certain officers and key employees to purchase shares of Common Stock at a price not less than fair market value at the date of grant. Options granted are exercisable ratably over a four-year period beginning one year after the date of grant. On May 18, 1970, the stockholders approved an amendment to the plan making 21,000 additional shares available for options. During the year ended January 30, 1971, options to purchase 9,820 shares were granted, options for 17,852 shares became exercisable, options for 6,845 shares were exercised, and options for 2,547 shares were canceled. At January 30, 1971, options were outstanding for the purchase of 79,420 shares at prices ranging from $4.77 to $27.63 per share and options for 20,981 shares were available for future grants.

The number of shares and per share amounts reflect the 5% stock dividend on May 15, 1970.

NOTE F—STOCK PURCHASE PLAN

The Company has a 1969 Executive Incentive Stock Purchase Plan pursuant to which restricted shares of Common Stock may be purchased at an amount not less than par value ($1 a share). The restrictions on shares purchased under the plan lapse ratably over a five-year period beginning with the third year after allotment of the shares. Under the plan 30,000 shares of Common Stock were reserved for issuance until December 31, 1978, of which 25,500 were issued at $1 a share during the year ended January 31, 1970 and 3,000 shares were issued during the year ended January 30, 1971. Deferred compensation, representing the excess of the market price over the option price at the date of sale, is being amortized over the period of the restrictions. At January 30, 1971, there were 1,575 shares (post-dividend) available for future issuance.

NOTE G—LONG-TERM LEASES

Long-term leases for real property occupied at January 30, 1971 provided for aggregate minimum annual rentals of approximately $3,400,000 (exclusive of taxes, insurance, and other expenses to be paid by the lessee). In addition, the Company has signed leases or letters of intent to lease additional stores requiring minimum annual rentals aggregating $1,772,000. The minimum annual rentals classified as to the period within which the related leases expire is as follows: $304,000 prior to 1980; $1,472,000 in 1981-1990; $3,396,000 in 1991-1999.

NOTE H—EARNINGS PER SHARE

Earnings per common share and common equivalent share have been computed based on the weighted average number of common shares outstanding during the respective periods, increased by the number of shares issuable upon exercise of stock options, and reduced by the number of shares which could be repurchased (at the average market price for the respective periods) using the proceeds from the exercise of these options.

Additional dilution reflected in fully diluted earnings per share results from the assumed conversion of the 5¾% Convertible Notes at their date of issuance (exclusive of the February 15, 1971 installment which was paid in cash), after eliminating the related interest expense net of taxes. Fully diluted earnings per share also reflects the maximum dilutive effect of unexercised stock options resulting from a market price at January 30, 1971 in excess of the average market price for the year.

ACCOUNTANTS' REPORT

To the Stockholders
Mammoth Mart, Inc.
West Bridgewater, Massachusetts

We have examined the consolidated financial statements of Mammoth Mart, Inc. and subsidiaries for the fiscal year ended January 30, 1971. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of earnings, stockholders' equity, and source and application of funds present fairly the consolidated financial position of Mammoth Mart, Inc. and subsidiaries at January 30, 1971, and the consolidated results of their operations, changes in stockholders' equity, and source and application of funds for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Boston, Massachusetts
March 31, 1971

Mammoth Mart, Inc. AND SUBSIDIARIES

DIRECTORS

Max Coffman, *Chairman*
Henry Gornstein
Alan D. Zaff
Frank H. Brenton
Edward Spector
Erwin Stone
Belmont Towbin, *Partner, C. E. Unterberg Towbin Co.*
Daniel Coven, *Financial Consultant*
John E. Beard, *Partner, Ropes and Gray*

CORPORATE COUNSEL

Ropes and Gray, *Boston, Mass.*

AUDITORS

Ernst & Ernst, *Boston, Mass.*

TRANSFER AGENTS

State Street Bank and Trust Company *Boston, Mass.*
Irving Trust Company, *New York, N.Y.*

REGISTRARS

The First National Bank of Boston, *Boston, Mass.*
The Bank of New York, *New York*

EXECUTIVE OFFICES

321 Manley Street
West Bridgewater, Mass. 02379

OFFICERS

Max Coffman
Chairman of The Board, President
Henry Gornstein
Vice-Chairman of The Board
Alan D. Zaff
Executive Vice President
Frank H. Brenton
Senior Vice President–Finance
Treasurer
Edward Spector
Senior Vice President—Administration
Irving S. Getz
Senior Vice President—
Advertising And New Store Planning
Erwin H. Stone
Senior Vice President—Operations

Nathan Levine
Vice President—Merchandising
Leonard Sack
Vice President—Merchandising
Louis Zax
Vice President—Merchandising
Leon Schwarz
Vice President—Merchandising
Thomas Butler
Vice President—Administration
Stanley Sonnenfeld
Vice President—Operations
Jeffrey I. Coffman
Vice President—Bender's
Sumner T. Bernstein
Secretary

Thomas J. Reynolds
Assistant Treasurer
Richard Gornstein
Assistant Vice President—Purchasing
David Band
Assistant Vice President—Merchandising
Robert Barteaux
Assistant Vice President—Merchandising
George Bronstein
Assistant Vice President—Merchandising
George Kovick
Assistant Vice President—Merchandising
Elliot Lerner
Assistant Vice President—Merchandising

EIGHT YEAR FINANCIAL COMPARISONS (Fiscal year ended January)

	1971	1970	1969	1968	1967	1966	1965	1964
Operating Results:								
Sales (including concessionaires')	$110,316,019	$79,929,843	$66,910,596	$53,148,137	$44,042,368	$32,881,416	$26,720,918	$22,204,579
Concessionaires' Sales	4,065,002	3,076,278	6,922,197	9,971,716	10,068,396	9,190,156	7,952,235	6,946,042
Sales (own departments)	106,251,017	76,853,565	59,988,399	43,176,421	33,973,972	23,691,260	18,768,683	15,258,537
Earnings Before Income Taxes	6,365,031	4,556,116	3,596,054	2,610,874	2,052,078	1,564,972	947,748	517,537
Federal Income Taxes	2,969,000	2,045,000	1,659,000	1,115,000	880,000	659,540	383,809	178,716
Net Earnings	$ 3,396,031	$ 2,511,116	$ 1,937,054	$ 1,495,874	$ 1,172,078	$ 905,432	$ 563,939	$ 338,821
Working Capital, Property and Other Assets:								
Current Assets	$ 25,462,518	$16,559,298	$14,488,815	$ 9,122,118	$ 6,494,233	$ 5,769,203	$ 3,840,518	$ 2,576,426
Less Current Liabilities	12,143,908	7,677,000	5,906,475	4,215,672	3,141,165	2,211,569	1,278,248	1,818,617
Working Capital	13,318,610	8,882,298	8,582,340	4,906,446	3,353,068	3,557,634	2,562,270	757,809
Property and Equipment	7,989,897	5,902,929	3,580,913	3,007,564	2,352,328	1,322,043	1,093,837	1,000,630
Other Assets	1,906,206	522,157	351,814	402,282	336,298	163,615	120,764	168,398
	$ 23,214,713	$15,307,384	$12,515,067	$ 8,316,292	$ 6,041,694	$ 5,043,292	$ 3,776,871	$ 1,926,837
Capitalization:								
Long-Term Debt	$ 3,971,140	$ 2,710,028	$ 2,200,000	$ 2,366,666	$ 1,500,000	$ 1,600,000	$ 1,133,333	$ 692,534
Deferred Federal Income Taxes	470,599	430,718	289,215	255,289	157,699	73,908	64,097	66,686
Stockholders' Equity	18,772,974	12,166,638	10,025,852	5,694,337	4,383,995	3,369,384	2,579,441	1,167,617
	$ 23,214,713	$15,307,384	$12,515,067	$ 8,316,292	$ 6,041,694	$ 5,043,292	$ 3,776,871	$ 1,926,837
Significant Comparative Statistics:								
Primary Earnings Per Share†*	$1.53	$1.16	$0.96	$0.77	$0.62	$0.49	$0.36	$0.23
Net Earnings as Per Cent of Net Sales	3.2%	3.3%	3.2%	3.5%	3.4%	3.8%	3.0%	2.2%
Net Earnings as Per Cent of Stockholders' Equity at Beginning of Year	27.9%	25.0%	34.0%	34.1%	34.8%	35.1%	48.3%	40.9%
Ratio of Current Assets to Current Liabilities	2.1 to1	2.2 to 1	2.5 to 1	2.2 to 1	2.1 to 1	2.6 to 1	3.0 to 1	1.4 to 1
Book Value Per share‡	$8.15	$5.67	$4.80	$2.99	$2.34	$1.81	$1.39	$0.78
Average Number of Shares Outstanding During Year†*	2,212,517	2,168,797	2,022,264	1,932,889	1,896,020	1,858,828	1,549,025	1,487,063

†Based on weighted average shares outstanding adjusted for the dilutive effect of common stock equivalents resulting from unexercised stock options.

‡Based on shares outstanding at end of year.

**Adjusted for the 5% stock dividend distributed on May 15, 1970.*

MAMMOTH MART, INC.
321 Manley Street
West Bridgewater, Mass. 02379

Mammoth
MART
SELF-SERVICE • DISCOUNT DEPT. STORE